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Part of a HOA or Community Association?

Why Supplemental Loss Assessment coverage is important to you.

Homeowners' Associations (HOA), Community Associations, and gated communities all operate with the concept of property held in common by all of the homeowners. These "common elements" can include land, playgrounds, swimming pools, tennis courts, club houses, streets, and more. Since the association normally insures these common elements, why should you worry about it?

WHAT IS A LOSS ASSESSMENT?

When a claim occurs on the premises of an HOA complex, it triggers the HOA's insurance policy. If the claim or deductible is significant, the association will have to pay out of pocket. They will then "assess" every homeowner a share of that expense, which is called a "loss assessment."

How likely is this to occur?

This can happen to any association or homeowner. However, it is more likely to occur:

- With severe claims
- When the HOA chose lower coverage limits in an effort to contain insurance costs and keep association fees down
- To recoup the association's insurance policy deductible. Increasingly, HOAs choose policy deductibles in the thousands or tens of thousands of dollars. The portion of each claim under this amount is paid out of pocket, and can then be assessed to homeowners collectively.

Are certain properties more likely to be impacted?

Yes, the most notorious are:

COASTAL AREAS: Associations located in a coastal area or area prone to hurricane, specific deductibles can apply. They are often expressed as a percentage of the property value rather than a flat dollar amount, leading to higher out-of-pocket costs and loss assessments.

SWIMMING POOLS: Associations with amenities (swimming pools in particular) that are popular with children and carry a high liability risk, may have too low a liability limit. Which means you are more likely to be assessed for the loss.

How do I protect myself from a loss assessment?

The standard homeowner's policy (traditionally referred to as an HO-3) normally provides $1,000 of loss assessment coverage. This amount can be easily increased with an add-on endorsement called "Supplemental Loss Assessment Coverage." Be sure to ask whether the endorsement also increases coverage for assessments due to an association deductible. Not all policies do.

Are there any types of assessments that are not covered?

Loss assessment coverage works hand-in-hand with the underlying coverage, and is generally only covered if the cause of loss would be covered under your own individual homeowner's policy. For example, if a loss for which you are assessed was a theft, and you did not purchase theft coverage under your homeowner's policy, your loss assessment coverage would not kick in.